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Helping you maximise the effectiveness of your financial planning

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Why it's too soon to mark the demise of the annuity

We are now living in the new pension age, where we are free to make our own decisions about our retirement pot. One of the main restrictions that the government swept away in the reforms was the requirement to purchase an annuity at retirement. Although we can still do so if we wish, there is no obligation to buy one at any age.



Annuities – a declining market?

A declining market? Since the announcement of the new rules, there has been a marked decline in annuity sales. According to figures produced by the Association of British Insurers, sales in Q4 2014 were more than 60% lower than in the previous year[i]. However, many believe there is still a valuable part for them to play in retirement planning.

What annuities offer

One of the main benefits that annuities provide is security. What you get in exchange for the purchase price is a pre-agreed, fixed income for life. As long as you live, you will still receive an income. Unlike other retirement income products, and with the exception of investment-linked annuities, you aren't exposed to stock market risk which could erode your income.

On the downside, should you die early, the residual value of the annuity dies with you, there is usually no return of capital to your estate. Ways annuities can work for your retirement

On the upside, annuities have more flexibility than many people imagine.

- You can opt for a guaranteed minimum return, the equivalent of up to ten years' income
- If you are married or in a civil partnership, taking a joint life annuity means that on the death of the first partner, the survivor continues to receive an income
- If you're concerned about inflation, you can choose an escalating plan where the income increases each year by a set or inflation-related percentage
- Those with health issues may find that, if their life expectancy is reduced, they may be able to take out an enhanced annuity offering better than standard rates.

Please get in touch if you want discuss your retirement plans.[i] ABI Retirement Income statistics, Q4 2014, published 26 Feb 2015 If you would like us to help you solve financial problems, or to assist with financial planning, contact us on 0118 932 0600 or e-mail: twyford@osceola.co.uk *If you wish to be removed from future mailings, please reply to this email with the word 'Unsubscribe' in the subject.